

**Manning Municipal Light Plant
Independent Auditor's Report
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings**

December 31, 2015 and 2014

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4 - 7
Management's Discussion and Analysis	8 - 12
Basic Financial Statements:	<u>Exhibit</u>
Statements of Net Position	A 14 - 15
Statements of Revenues, Expenses and Changes in Fund Net Position	B 16 - 17
Statements of Cash Flows	C 18 - 19
Notes to Financial Statements	21 - 41
Other Information:	
Budgetary Comparison Schedule of Revenues, Expenses and Changes in Fund Net Position	43
Notes to Other Information - Budgetary Reporting	44
Schedule of the Utility's Proportionate Share of the Net Pension Liability	45
Schedule of Utility Contributions	46
Note to Other Information - Pension Liability	47 - 48
Supplementary Information:	<u>Schedule</u>
Summary of Utility Plant and Accumulated Depreciation	1 50 - 51
Investments and Interest Income	2 52
Operating Expenses	3 53 - 54
Comparative Statistical Data (Unaudited)	4 55
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57 - 59
Schedule of Findings	60 - 61

Manning Municipal Light Plant

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Rasmussen	Trustee	December 31, 2016
Lynn Stein	Trustee	December 31, 2017
Kirk Huehn	Trustee	December 31, 2018
Rick Lohrmann	Trustee	December 31, 2019
Janet McLaughlin	Trustee	December 31, 2020
Kent Hilsabeck	Manager	Indefinite
Greg Sextro	Attorney	Indefinite

MUXFELDT **ASSOCIATES, CPA, P.C.**

Certified Public Accountant

April 14, 2016

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com
firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

To the Board of Trustees
Manning Municipal Light Plant
Manning, IA 51455

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Manning Municipal Light Plant, a component unit of the City of Manning, Iowa as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

April 14, 2016
Manning Municipal Light Plant
Independent Auditor's Report

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Light Plant as of December 31, 2015 and 2014 and the respective changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

April 14, 2016
Manning Municipal Light Plant
Independent Auditor's Report

Emphasis of Matter

As discussed in Note 17 to the financial statements, Manning Municipal Light Plant adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

As described in Note 1, these financial statements were prepared in conformity with U.S. generally accepted accounting principles. The financial statements of Manning Municipal Light Plant are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Light Plant.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Manning Municipal Light Plant's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended December 31, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements.


The supplementary information, presented as Schedules 1 through 4, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 14, 2016
Manning Municipal Light Plant
Independent Auditor's Report

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utility's Proportionate Share of the Net Pension Liability, and the Schedule of Utility Contributions on pages 8 through 12 and 43 through 48 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* I have also issued my report dated April 14, 2016 on my consideration of the Light Plant's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manning Municipal Light Plant's internal control over financial reporting and compliance.

Mufflet Associates, CPA, P.C.

Manning Municipal Light Plant Management's Discussion and Analysis

Manning Municipal Light Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2015. I encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2015 Financial Highlights

Operating revenue of the Utility's activities increased by 2.26%, or approximately \$64,400, from calendar years 2014 to 2015.

Operating expenses decreased by 3.05%, or approximately \$88,500, from calendar years 2014 to 2015.

The Utility's fund net position of business type activities increased by 0.67%, or approximately \$39,900, from calendar years 2014 to 2015.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Statement of Net Position - Proprietary Funds, and a Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds and a Statement of Cash Flows - Proprietary Funds. These provide information about the activities of Manning Municipal Light Plant as a whole and present an overall view of the Utility's finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Supplementary Information provides comparative financial data with the prior year and statistical data.

REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

Basic Financial Statements

One of the most important questions asked about the Utility's finances is, "Is the Light Plant as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, Changes in Fund Net Position report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statements of Net Position present all the Utility's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Utility's net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Fund Net Position present information showing how the Utility's net position changed during the past two years. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expense are reported in this statement for some items that will not result in cash flows until future periods.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position report the following activity:

Business type activities include the electric utility. This activity is financed primarily by user charges.

Fund Financial Statements

The Utility has one fund:

Proprietary funds account for the Utility's Enterprise Fund. This fund reports services for which the Utility charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position. The Enterprise Fund includes the electric utility which is considered the major fund of the Utility. The Utility is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows.

BASIC FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for business type activities.

Net Position at Year-end December 31, 2015 and 2014

Business Type Activities - Enterprise Fund

	<u>Year Ended</u>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 4,058,735	\$ 3,919,504
Capital assets	6,052,615	6,359,103
Total assets	<u>\$ 10,111,350</u>	<u>\$ 10,278,607</u>
Current liabilities	\$ 438,273	\$ 445,496
Long-term liabilities	3,647,223	3,700,000
Total liabilities	<u>\$ 4,085,496</u>	<u>\$ 4,145,496</u>
Net position:		
Net investment in capital assets	\$ 2,352,615	\$ 2,484,103
Restricted	453,394	422,437
Unrestricted	3,205,051	3,064,600
Total net position	<u>\$ 6,011,060</u>	<u>\$ 5,971,140</u>

Net position of business type activities increased approximately \$39,920, or 0.66% over calendar year 2015. A large portion of the Light Plant's net position is invested in capital assets (e.g., land infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$3,205,000.

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during the current year. The beginning net position was restated \$161,971 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 and prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflow of resources was not restated because the information was not available. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The Manning Municipal Light Plant is one of the few governmental entities in the State of Iowa that reports its financial statements on a calendar year rather than a fiscal year basis. Net pension liability, deferred outflows and deferred inflows are not provided or available for December 31st year end entities and, accordingly, are reported by the Utility as of June 30th.

Changes in Net Position
For the Year Ended December 31, 2015 and 2014

Business Type Activities - Enterprise Fund

	<u>Year Ended</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Charges for services	\$ 2,913,514	\$ 2,849,082
Bad debt recovery	38	863
Interest income	14,246	12,697
Rental income	51,283	170,849
Sale of capital assets	15,755	-0-
Revolving loan fund	30,000	30,000
WIMECA dividends	113,488	149,533
Total revenues	<u>3,138,324</u>	<u>3,213,024</u>
Operating expenses:		
Production	2,274,102	2,351,091
Distribution	266,943	270,475
Accounting and collection	67,334	73,107
Administrative and general	202,000	204,231
Total operating expenses	<u>2,810,379</u>	<u>2,898,904</u>
Revenues over operating expenses	327,945	314,120
Other expenses:		
Amortization	3,893	3,894
Depreciation - comm. Infrastructure	59,076	59,076
Interest expense	135,268	138,207
Community contributions	89,788	88,181
Total other expenses	<u>288,025</u>	<u>289,358</u>
Increase in net position	39,920	24,762
Net position, beginning of year (Restated for 2015)	<u>5,971,140</u>	<u>6,108,349</u>
Net position, end of year	\$ <u>6,011,060</u>	\$ <u>6,133,111</u>

Total revenue decreased by 2.3% or \$74,703 from the prior year with major changes as follows: 1) operating revenue increased approximately \$64,432, or 2.6%, the result of the rate increase at the beginning of the year, and 2) non-operating revenue such as lease income and patronage dividends decreased by approximately \$134,000, or 37%.

Total expenses decreased by 2.8% or \$89,858 from the prior year with major changes as follows: 1) operating expenses decreased by 3% or approximately \$88,500. Non-operating expenses decreased by approximately \$1,300 primarily due to less interest expense.

Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, vehicles, electric lines, other infrastructure and construction work in process. Changes in capital assets for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Capital assets, beginning of year	\$ 12,056,585	\$ 11,995,574
Additions	68,564	84,630
Retirements	35,467	23,619
Capital assets, end of year	\$ 12,089,682	\$ 12,056,585
Less: accumulated depreciation	6,037,067	5,697,482
Net capital assets	<u>\$ 6,052,615</u>	<u>\$ 6,359,103</u>

The Utility continues to monitor and improve energy efficiency for all City buildings and street lighting. Depreciation charged against revenue was \$375,053.

Long-Term Debt

At December 31, 2015, the Utility had \$3,700,000 in long-term debt outstanding for business type activities. For the year ended December 31, 2015, the Utility retired \$175,000 of principal and expensed \$135,268 of interest. On February 6, 2015, Moody's Investor Service downgraded Manning Municipal Light Plant's revenue notes from A1 to A2 and indicated that the downgrade was due to its new municipal utility revenue debt methodology.

Future Financial Statement Impact

The Utility continues to maximize the diesel generation plant and other energy efficiency activities throughout the City. Distribution extensions are expected to provide new infrastructure to the Char-Mac Subdivision and lots. In the prior year, the board of trustees approved a slight electric rate increase for 2015 which resulted in a 2.3% increase in electricity sales. In the past two years, the Utility fulfilled a \$100,000 pledge to the fire department for its new fire station. In 2015, the Utility received a substantial cash windfall when WIMECA retired \$908,193 of patronage.

Requests for Information

Requests for additional information can be made to the Manning Municipal Light Plant's manager, Kent Hilsabeck, 719 Third Street, Manning, Iowa 51455.

Basic Financial Statements

Exhibit A

**Manning Municipal Light Plant
Statements of Net Position
Proprietary Fund
December 31, 2015 and 2014**

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets		
Unrestricted		
Cash	\$ 373,794	\$ 572,353
Accounts receivable - customers net of allowance for doubtful accounts	276,408	272,144
Interest receivable	9,422	7,527
Accounts receivable - other	351	4,166
Inventory	92,896	97,551
Prepaid expenses	35,979	35,058
Investments	2,397,278	1,285,457
Total unrestricted current assets	3,186,128	2,274,256
Restricted		
Customer deposits	4,200	2,900
PSN online	1,666	2,009
Revolving loan fund, cash	30,000	30,000
RLF note receivable, current portion	8,170	4,786
Investments	327,528	327,528
Total restricted current assets	371,564	367,223
Total current assets	3,557,692	2,641,479
Capital assets		
Telecommunication infrastructure	2,337,118	2,337,118
Production	5,513,122	5,513,122
Transmission	8,754	8,754
Distribution	3,727,670	3,704,396
General	503,018	493,195
	12,089,682	12,056,585
Less accumulated depreciation	6,037,067	5,697,482
Net capital assets	6,052,615	6,359,103
Other Assets		
Deferred patronage - WIMECA	129,833	924,538
Municipal note receivable	230,000	235,000
Restricted note receivable, net of current portion	81,830	55,214
Underwriter's discount fees - net of accumulated amortization	59,380	63,273
	501,043	1,278,025
Total assets	\$ 10,111,350	\$ 10,278,607
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	33,725	18,748

See accompanying notes to financial statements

Exhibit A
Continued

Manning Municipal Light Plant
Statements of Net Position
Proprietary Fund
December 31, 2015 and 2014

LIABILITIES AND NET POSITION	<u>2015</u>	<u>2014</u>
Current Liabilities		
Payable from unrestricted current assets:		
Accounts payable - trade	\$ 185,055	\$ 202,918
Accounts payable - construction	-0-	-0-
Payroll taxes payable	-0-	-0-
Salaries, vacation, and sick leave payable	53,483	48,554
Sales tax payable	2,914	2,868
Total payables from unrestricted current liabilities	241,452	254,340
Payable from restricted current liabilities:		
Current portion of notes payable	180,000	175,000
Accrued interest payable	10,955	11,247
Customer deposits	4,200	2,900
PSN online	1,666	2,009
Total payables from restricted current liabilities	196,821	191,156
Total current liabilities	438,273	445,496
Revenue notes payable, net of current portion	3,520,000	3,700,000
Net pension liability	127,223	-0-
Total liabilities	4,085,496	4,145,496
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues:		
Pension related deferred inflows	48,519	-0-
NET POSITION		
Net investment in capital assets	2,352,615	2,484,103
Restricted for:		
Principal and interest reserve	327,528	327,528
Customer deposits	4,200	2,900
PSN online	1,666	2,009
Revolving loan fund	120,000	90,000
Unrestricted	3,205,051	3,226,571
Total net position	6,011,060	6,133,111
Total liabilities and net position	\$ 10,096,556	\$ 10,278,607

See accompanying notes to financial statements

Exhibit B

**Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Sale of electricity		
Residential	\$ 699,413	\$ 711,363
Small commercial	211,551	213,239
Industrial	1,114,287	1,050,998
Large commercial	566,368	535,613
Street lights	18,630	18,513
Basin capacity payments	297,608	312,384
Total sale of electricity	<u>2,907,857</u>	<u>2,842,110</u>
Other operating revenues		
Forfeited discounts	1,726	1,909
Merchandise sales, net of cost	207	67
Connection fees	410	360
Miscellaneous income	3,314	4,636
Total other operating revenue	<u>5,657</u>	<u>6,972</u>
Total operating revenue	2,913,514	2,849,082
Operating Expenses		
Production	2,274,102	2,351,091
Distribution	266,943	270,475
Accounting and collection	67,334	73,107
Administration and general	202,000	204,231
Total operating expenses	<u>2,810,379</u>	<u>2,898,904</u>
Net operating revenue (loss)	103,135	(49,822)

See accompanying notes to financial statements

Exhibit B
Continued

Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Fund
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Non-operating Revenues (Expenses)		
Interest income	\$ 14,246	\$ 12,697
Rental income	51,283	170,849
Sale of capital assets	15,755	-0-
Amortization expense - bond fees	(3,893)	(3,894)
Bad debt recovery	38	863
WIMECA dividends	113,488	149,533
Revolving loan fund	30,000	30,000
Interest expense	(135,268)	(138,207)
Depreciation expense -		
communication infrastructure	(59,076)	(59,076)
Contribution - payment in lieu of taxes	(18,513)	(16,396)
Contribution - main street project	(3,500)	(3,000)
Contribution - various projects	(300)	(1,310)
Contribution - economic development	(15,000)	(15,000)
Contribution - housing rehabilitation	(2,475)	(2,475)
Contribution - fire station	(50,000)	(50,000)
Total non-operating revenues (expenses)	<u>(63,215)</u>	<u>74,584</u>
Change in net position	39,920	24,762
Net position, beginning of year, as restated	<u>5,971,140</u>	<u>6,108,349</u>
Net position, end of year	\$ <u>6,011,060</u>	\$ <u>6,133,111</u>

See accompanying notes to financial statements

Exhibit C

Manning Municipal Light Plant
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 2,903,594	\$ 2,847,965
Cash received from other revenues	5,777	3,526
Cash paid to suppliers	(2,109,335)	(2,165,442)
Cash paid for personal services	(182,434)	(175,128)
Cash paid to employees	(228,025)	(230,709)
Net cash provided by operating activities	<u>389,577</u>	<u>280,212</u>
Cash Flows From Noncapital Financing Activities:		
Revolving loan fund contribution	30,000	30,000
RLF disbursement	(30,000)	(60,000)
PSN online	(343)	(333)
Change in customer deposits	<u>1,300</u>	<u>(1,200)</u>
Net cash provided (used) for capital and related financing activities	957	(31,533)
Cash Flows From Capital and Related Financing Activities:		
Interest paid on revenue notes	(135,560)	(138,447)
Note retirement	<u>(175,000)</u>	<u>(175,000)</u>
Net cash (used) by capital and related financing activities	(310,560)	(313,447)
Cash Flows From Investing Activities:		
Acquisition of capital assets	(68,564)	(142,789)
Sale of capital assets	15,755	-0-
Principal on notes receivable	5,000	-0-
Bad debt recovery	38	863
Patronage retirement	908,193	155,070
Interest on investments	12,328	14,553
Contributions - economic development	(89,788)	(88,181)
Rental income	<u>51,283</u>	<u>170,849</u>
Net cash provided by investing activities	<u>834,245</u>	<u>110,365</u>
Net increase in cash	914,219	45,597
Cash and cash equivalents beginning of year	<u>2,220,247</u>	<u>2,174,650</u>
Cash and cash equivalents end of year	\$ <u>3,134,466</u>	\$ <u>2,220,247</u>

See accompanying notes to financial statements

Exhibit C
Continued

Manning Municipal Light Plant
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating revenue (loss)	\$ 103,135	\$ (49,822)
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	315,977	311,959
Net (increase) decrease in:		
Accounts receivable - customers	(4,243)	5,855
Accounts receivable - other	3,815	(3,444)
Inventories	4,655	(3,233)
Prepaid expenses	(921)	1,330
Deferred outflows	(14,977)	-0-
Net increase (decrease) in:		
Accounts payable - trade	(17,863)	13,692
Sales tax payable	46	(129)
Salaries payable	4,929	4,012
Net pension liability	(53,495)	-0-
Deferred inflows	48,519	-0-
Payroll taxes payable	-0-	(8)
	<hr/>	<hr/>
Net cash provided by operating activities	\$ <u>389,577</u>	\$ <u>280,212</u>
Reconciliation of cash and cash equivalents at		
year end to specific assets included on the		
Statements of Net Position		
Current assets:		
Cash and pooled investments	\$ 2,771,072	\$ 1,857,810
Restricted assets:		
Cash and pooled investments:		
Principal & interest reserve	327,528	327,528
Customer deposits	4,200	2,900
PSN online	1,666	2,009
Revolving loan fund	30,000	30,000
	<hr/>	<hr/>
Cash and cash equivalents end of year	\$ <u>3,134,466</u>	\$ <u>2,220,247</u>

See accompanying notes to financial statements

Notes to Financial Statements

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Manning Municipal Light Plant was formed as an Electric Utility in 1934 and is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board (GASB). The Light Plant is governed by a five-member board of trustees appointed by the City Council. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Manning Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board (GASB) criteria.

The financial statements include only those funds of the Electric Utility and are not intended to present all funds of the City of Manning, Iowa.

B. Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. Utility officials are members of the following boards: Manning Municipal Communication and Television System Utility, Manning Betterment Foundation, Western Iowa Municipal Electric Cooperative Association, and Manning Economic Development Corporation.

C. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

When an expenditure is incurred in proprietary funds which can be paid using either restricted or unrestricted resources, the Utility's policy is generally to first apply the expenditure towards restricted fund balance.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise fund include the cost of production, distribution, collections, and general and administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Basis of Presentation

The Statement of Net Position presents the Utility's assets and liabilities, with the difference reported as fund net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Expendable restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Fund Financial Statements

The Manning Municipal Light Plant reports the following major proprietary fund:

Enterprise:

The Electric Fund is used to account for the operation and maintenance of the Utility's electric system.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(1) Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis for the fiscal year ending June 30th. The budget of the Utility is then submitted with that of the City of Manning following required public notice and hearing. The Utility also adopts a budget on the accrual basis for the calendar year ending December 31st. The budget on the accrual basis is presented in the budgetary comparison and related disclosures and reported as Other Information. During the year ended December 31, 2015, disbursements did not exceed amounts budgeted in the business type activities.

F. Cash, Investments and Cash Equivalents

Cash consists of checking accounts, cash on hand, and savings. Investments consist of certificates of deposit. For purposes of the Statement of Cash Flows, the Electric Utility considers all deposits to be cash equivalents. Investments are stated at cost which approximates market.

G. Restricted Assets

Funds set aside for payment of revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include consumer deposits restricted for application to unpaid customer accounts or for refund to customers, PSN online restricted for interdepartmental light, water and sewer collections, and the revolving loan funds restricted to small business loans.

H. Accounts Receivable

Accounts receivable are recorded in the Electric Fund at the time the service is billed. The allowance for doubtful accounts is \$-0- at December 31, 2015 and 2014. The Utility participates in the State of Iowa Income Offset Program for the collection of past due accounts.

Customer meters are read the 1st of the month. Customers are billed by the 10th of the month. Bills are due by the end of the month. Penalties accrue at 1.5% of the total bill thereafter. Delinquent customers have twelve days after receiving a disconnect notice to make payment or arrangements for payment. Disconnection of services may include the City of Manning's water service.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(1) Summary of Significant Accounting Policies (Continued)

I. Capital Assets

Capital assets include property, plant and equipment. Capital assets are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Plant and property	20 - 33 years
Office and other equipment	5 - 25 years
Transportation equipment	3 - 10 years
Telecommunication infrastructure	10 - 40 years

Expenses for maintenance, repairs and minor replacements are charged to operations. Expenses for major repairs and betterments that materially extend the life of the asset are capitalized.

J. Customer Deposits

Meter deposits of \$100 are collected from new customers before electric service begins. Customers in good standing get a deposit refund after six months. Delinquent customers forfeit the deposit.

K. Bond Issuance Fees

The bond issuance fees are stated at their original cost less any accumulated amortization. The underwriter's discount of \$77,875 occurred in 2012 as a result of the issuance of the Electric Revenue Capital Loan Notes, Series 2011. The bond issuance fees are being amortized over the twenty-year life of the notes utilizing the straight line method.

L. Inventory

Inventory consists of material and supplies. The inventory is stated at average cost.

M. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(1) Summary of Significant Accounting Policies (Continued)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employee's Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

O. Deferred Inflow of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the Statements of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

P. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. As of the date of issuance of the accompanying financial statements, no material changes to the estimates used therein were anticipated by management in the near term.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(2) Cash and Investments

The Utility Board's deposits in banks at December 31, 2015 and 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to ensure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No 40.

The Utility's cash and investments at December 31, 2015 and 2014 are as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
December 31, 2015			
Unrestricted	\$ 373,794	\$ 2,397,278	\$ 2,771,072
Restricted	35,866	327,528	363,394
	<u>\$ 409,660</u>	<u>\$ 2,724,806</u>	<u>\$ 3,134,466</u>
December 31, 2014			
Unrestricted	\$ 572,353	\$ 1,285,457	\$ 1,857,810
Restricted	34,909	327,528	362,437
	<u>\$ 607,262</u>	<u>\$ 1,612,985</u>	<u>\$ 2,220,247</u>

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(3) Deferred Patronage Dividends

Western Iowa Municipal Electric Cooperative Association (WIMECA) allocates deferred patronage dividends to its member municipal electric utilities of Anthon, Aurelia, Hinton, Manning, Mapleton and Onawa, Iowa. WIMECA purchases all of its power from Northwest Iowa Power Cooperative under a long-term contract.

The deferred patronage dividends in WIMECA are declared allocations from which it is not practicable to estimate a fair value and they are redeemable only at the discretion of the issuing cooperative. They are recorded at cost or the value assigned by WIMECA. Deferred patronage dividends are recorded as an asset in the year to which they apply.

Deferred Patronage - WIMECA, Dec. 31, 2014	\$	924,538
Less: Retired patronage - paid in cash		(908,193)
Add: Dividends Declared - Deferred		113,488
Deferred Patronage - WIMECA, Dec. 31, 2015	\$	<u>129,833</u>

(4) Restricted Assets

The Board of Trustees, established by resolution, maintain various reserve account funds to accumulate surplus net revenue for the following purposes:

	<u>2015</u>	<u>2014</u>
Customer Deposits - Cash	\$ 4,200	\$ 2,900
Revolving Loan Fund	120,000	90,000
PSN Online	1,666	2,009
Principal & Interest Reserve - Certificates of Deposit	<u>327,528</u>	<u>327,528</u>
	\$ <u>453,394</u>	\$ <u>422,437</u>

(5) Major Customer

Ag Processing, a local soybean processing plant, purchased electricity totaling \$1,114,287 and \$1,050,998 in 2015 and 2014, respectively, which represented 38.2% and 36.9% of total electric revenue each year.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(6) Power Purchase Contract

The Utility has a long-term contract with Western Iowa Municipal Electric Cooperative Association (WIMECA) to purchase all electrical needs from WIMECA at established rates. In turn, WIMECA agrees to use its best efforts to provide a steady supply of electricity. In September 2015, an amendment to the contract extended the terms of the agreement until December 31, 2075.

(7) Contract Rates of Delivery for Firm Power

A contract was signed with Western Area Power Administration to lock in the Contract Rate of Delivery (CROD) for firm power on and after January 1, 2001 and continuing through December 31, 2005. The rate for firm power during the winter season differs from the rate for firm power during the summer season. A new CROD was agreed upon for the period from January 1, 2006 through December 31, 2015.

(8) Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the Utility, except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(8) Pension and Retirement Benefits (Continued)

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(8) Pension and Retirement Benefits (Continued)

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In calendar year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Utility contributed 8.93 percent for a total rate of 14.88 percent.

The Utility's contributions to IPERS for the year ended December 31, 2015 were \$19,478

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(8) Pension and Retirement Benefits (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015, the Utility reported a liability of \$127,223 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utility's collective proportion was 0.003144 percent, which was an increase of 0.000048 from its proportion measured as of June 30, 2013.

For the year ended December 31, 2015, the Utility recognized pension expenses of \$-0-. At December 31, 2015, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,383	
Changes of assumptions	5,615	
Net difference between projected and actual earnings on pension plan investments		\$ 48,519
Changes in proportion and differences between Utility contributions and proportionate share of contributions	(2,209)	
Utility contributions subsequent to the measurement date	28,936	
Total	\$ 33,725	\$ 48,519

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(8) Pension and Retirement Benefits (Continued)

\$33,725 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Total
2016	\$ (10,265)
2017	(10,265)
2018	(10,265)
2019	(10,265)
2020	(2,670)
	<u>\$ (43,730)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of Investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(8) Pension and Retirement Benefits (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	-0.69
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(8) Pension and Retirement Benefits (Continued)

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point high (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utility's proportionate share of the net pension liability	\$ 240,384	\$ 127,223	\$ 31,703

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS website at www.ipers.org.

Payable to the pension Plan - At December 31, 2015, the Utility reported payables to the defined benefit pension plan of \$-0- for legally required employer contributions and \$-0- for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(9) Other Postemployment Benefits (OPEB)

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$798 for family coverage. The same monthly premiums would apply to retirees if there were any retired participants. For the year ended December 31, 2015, the Utility contributed \$34,486 and plan members eligible for benefits contributed \$3,832, 90% and 10%, respectively.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(10) Related Party Transactions

<u>MMCTSU Note</u>	<u>2015</u>	<u>2014</u>
Note receivable from the Manning Municipal Communications and Television System Utility for the broadband communications system. The interest rate is adjusted on July 15 th each year to a rate which is 1% higher than that offered by Templeton Savings Bank on a twelve month certificate of deposit. The interest rate on July 15, 2015 and 2014 was 1.50%, respectively. Interest does not accrue on the unpaid interest balance, there are no required principal payments, and payments of principal and interest may not exceed \$100,000 per year. In 2004, The Manning Municipal Light Plant forgave \$200,000 of this note.	\$ 230,000	\$ 235,000
Less: current portion	<u>-0-</u>	<u>-0-</u>
Long-term portion	\$ <u>230,000</u>	\$ <u>235,000</u>

The Utility leases an area of City Hall from the City of Manning through an oral lease agreement. Rent expense charged to operations on this facility for 2015 and 2014 were \$6,000 each year.

The Utility had business transactions between the Utility and Utility officials totaling \$1,043 during the year ended December 31, 2015.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(11) Capital Loan Notes Payable

On March 31, 2011, the Utility issued \$4,450,000 of Electric Revenue Capital Loan Notes, Series 2011, under the provisions of Chapter 384 of the Code of Iowa. The notes are not general obligations of the City of Manning, but are payable from and secured by a pledge of future net revenues of the Electric Utility. Principal payments are due annually on December 1 and interest payments due semi-annually on June 1 and December 1 of each year. The provisions of the bond covenants require the Electric Utility to fund a Principal and Interest Reserve Fund equal to the maximum annual principal and interest debt service requirements of the bonds in the amount of \$327,528. The Reserve Fund consists of certificates of deposit.

Future scheduled maturities of long-term notes payable are as follows:

<u>December 1,</u>	<u>Rate</u>	<u>Amount</u>
2016	2.20%	\$ 180,000
2017	2.50%	185,000
2018	2.75%	185,000
2019	2.95%	190,000
2020	3.10%	200,000
2021	3.20%	205,000
2022	3.30%	210,000
2023	3.45%	220,000
2024	3.60%	230,000
2025	3.75%	240,000
2026	3.85%	245,000
2027	3.95%	260,000
2028	4.05%	270,000
2029	4.10%	280,000
2030	4.20%	295,000
2031	4.30%	305,000
		<u>3,700,000</u>
Less current portion		(180,000)
		<u>\$ 3,520,000</u>

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(12) Compensated Absences

Vacation Payable

Light Plant employees accumulate vacation hours for use each year between anniversary dates of employment. Employees can accumulate up to 10 days of vacation that can transfer over to the following year in the event that available vacation is not used by the end of the benefit year. At no time can an employee carry over more than 10 days of vacation time to the subsequent benefit year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment at their current rate of pay. The accrued vacation payable at December 31, 2015 and 2014 is \$6,628 and \$5,754, respectively.

Sick Leave Payable

Sick leave may be accumulated for subsequent use or for payment upon termination or retirement. Unused sick leave benefits are paid to employees upon termination of employment at the rate in which they were earned but only after 24 sick leave days have accumulated. Eligible employees accrue sick leave benefits at the rate of 6 days per year or 4 hours per month. Therefore, an employee would have to work at the Utility for 4 years before the employee would be eligible to be paid for sick leave upon termination. The accrued sick leave payable at December 31, 2015 and 2014 is \$39,070 and \$36,402, respectively.

(13) Risk Management

Manning Municipal Light Plant is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015**

(14) Guarantees

Manning Municipal Light Plant guaranteed to Western Iowa Municipal Electric Cooperative Association (WIMECA) the repayment of two \$100,000 loans to be made by Northwest Iowa Power Cooperative (NIPCO) to CHAR-MAC of Manning, Inc., and to Adams Motor Company of Manning, LLC. The maximum amount recoverable from MMLP by WIMECA is limited to principal and interest due and owing together with attorney's fees, costs and other expenses in the event of default.

(15) Joint Use Agreement

On July 25, 2001, the Manning Municipal Light Plant and the Manning Municipal Communications and Television System Utility (MMCTSU) entered into a joint use agreement in regards to the communications distribution system. The communications distribution system remains the sole property of the Electric Utility which granted to MMCTSU the right to use the distribution system, the head-end building, and the Municipal building for a term of twenty-five years with annual lease payments of \$170,849, commencing June 30, 2002. MMCTSU postponed the 2008 payment until 2027. In 2012, the Electric Utility refinanced the long term debt on the distribution system. As a consequence, the Utility Boards agreed to reduce the annual lease payment to approximately \$140,000.

(16) Commitments

On July 20, 2015, the Electric Utility made a three-year commitment to Main Street Manning to provide community support of \$3,500 each year.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(17) Revolving Loan Fund

In December 2011, the Manning Municipal Light Plant was the recipient and a pass through agent of a \$250,000 grant from the Rural Economic Development Loan and Grant Program to create a revolving loan fund. The City of Manning's Economic Development Agency administers the Utility's revolving loan fund as well as other existing revolving loan funds.

The Agency loaned the funds to the Manning Community Foundation for the purchase of the Manning Hausbarn Heritage Park. The \$300,000 promissory note is dated December 29, 2011, requires annual payments of \$30,000, bears 0% interest, matures January 29, 2022, and is secured by land and buildings, personal property and revenues and income of the Manning Community Foundation.

The Manning Municipal Light Plant recognizes the payments as income when received and restricts the money to the economic development activities of the revolving loan fund. As of December 31, 2015, \$120,000 of revolving loan funds have been received.

At December 31, 2015, the Revolving Loan Fund Program had two loans outstanding with a local developer and an automotive center. The notes require monthly installments of \$898 and \$449, respectively, commence June 1, 2016, bear interest at 2.5% per annum and mature May 1, 2022. Special features included an annual service fee of 1% on the unpaid principal balance and a late fee (ten days past due) of 5% of the payment amount. The promissory notes are secured by real estate. The owner of the automotive center personally guaranteed the note. Future interest and principal receipts are as follows:

Year Ended Dec. 30,	Principal	Interest	Total
2016	\$ 8,170	\$ 1,262	\$ 9,432
2017	14,286	1,883	16,169
2018	14,647	1,522	16,169
2019	15,018	1,151	16,169
2020	15,397	772	16,169
2021	15,787	382	16,169
2022	6,695	40	6,735
Total	\$ 90,000	\$ 7,012	\$ 97,012

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2015

(18) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for business type activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Light Plant</u>
Net position December 31, 2014, as previously reported	\$ 6,133,111
Net pension liability at December 31, 2014	(180,719)
Change in outflows or resources related to contributions Made after the June 30, 2013 measurement date	18,748
Net position December 1, 2014, as restated	\$ <u>5,971,140</u>

(19) Subsequent Events

Management has evaluated subsequent events through April 14, 2016, the date on which the financial statements were available to be issued.

Other Information

Manning Municipal Light Plant
Budgetary Comparison Schedule of Revenues, Expenses and
Changes in Fund Net Position
– Budget and Actual (Accrual Basis)
Proprietary Fund
For the Year Ended December 31, 2015

	<u>Accrual Basis</u>	<u>Original and Final Budget</u>	<u>Variance</u>
Receipts:			
Electric sales	\$ 2,907,857	\$ 2,772,800	\$ 135,057
Operating	5,657	14,500	(8,843)
Total Operating Receipts	<u>2,913,514</u>	<u>2,787,300</u>	<u>126,214</u>
Expenditures:			
Production	2,274,102	2,349,700	75,598
Distribution	266,943	331,248	64,305
Accounting and collections	67,334	79,350	12,016
Administration and general	202,000	232,067	30,067
Total Expenditures	<u>2,810,379</u>	<u>2,992,365</u>	<u>181,986</u>
Net operating income	103,135	(205,065)	308,200
Non-operating:			
Interest Income	14,246	9,000	5,246
Rent Income	51,283	170,850	(119,567)
Sale of capital assets	15,755	-0-	15,755
Amortization expense	(3,893)	-0-	(3,893)
Revolving loan fund	30,000	30,000	-0-
Miscellaneous	38	-0-	38
Dividends	113,488	-0-	113,488
Interest expense	(135,268)	(140,000)	4,732
Depreciation	(59,076)	(60,000)	924
Contributions	(89,788)	(53,400)	(36,388)
Total non-operating	<u>(63,215)</u>	<u>(43,550)</u>	<u>(19,665)</u>
Net Change in Net Position	39,920	\$ <u>(248,615)</u>	\$ <u>288,535</u>
Net Position, Beginning of Year	<u>5,971,140</u>		
Net Position, End of Year	\$ <u>6,011,060</u>		

See accompanying independent auditor's report.

Manning Municipal Light Plant
Notes to Other Information - Budgetary Reporting
For the Year Ended December 31, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Utility adopts and submits a budget on the cash basis to the City for approval in the City's required public notice and budget hearing process. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The cash basis budget is prepared for the fiscal year ending June 30th and is not presented here.

For financial statement reporting purposes, however, the board approves an accrual basis budget which corresponds to the Utility's calendar year. The accrual basis budget is presented here.

For the year ended December 31, 2015, the disbursements of the Utility did not exceed amounts budgeted in the business type activities.

**Manning Municipal Light Plant
Schedule of the Utility's Proportionate Share
of the Net Pension Liability**

**Iowa Public Employees' Retirement System
Last Fiscal Year ***

Other Information

	<u>2015</u>
Utility's proportion of the net pension liability (asset)	0.003144%
Utility's proportionate share of the net pension liability	\$ 127,223
Utility's covered-employee payroll	\$ 214,634
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.27%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utility will present information for those years for which information is available.

**Manning Municipal Light Plant
Schedule of Utility Contributions
Iowa Public Employees Retirement System
Last 10 Fiscal Years
Required Supplementary Information**

	<u>2015</u>
Statutorily required contribution	\$ 19,166
Contributions in relation to the Statutorily required contribution	<u>(19,166)</u>
Contribution deficiency (excess)	\$ <u>-0-</u>
Utility's covered-employee payroll	\$ 214,634
Contributions as a percentage of Covered-employee payroll	8.93%

The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Manning Municipal Light Plant
Notes to Required Supplementary Information
- Pension Liability
Year Ended December 31, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

Schedule 1

Manning Municipal Light Plant
Summary of Utility Plant and Accumulated Depreciation

	Property, Plant and Equipment			
	January 1, 2015	Additions	Deletions	Dec. 31, 2015
PRODUCTION				
Land	\$ 8,500	\$ -0-	\$ -0-	\$ 8,500
Structures and improvements	2,273,296	-0-	-0-	2,273,296
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	1,598,466	-0-	-0-	1,598,466
Accessory electric equipment	1,630,360	-0-	-0-	1,630,360
	<u>5,513,122</u>	<u>-0-</u>	<u>-0-</u>	<u>5,513,122</u>
TRANSMISSION				
Poles	8,754	-0-	-0-	8,754
DISTRIBUTION				
Poles and fixtures	3,706	-0-	-0-	3,706
Overhead conductors	5,757	-0-	-0-	5,757
Underground conductors	2,310,546	3,072	-0-	2,313,618
Line transformers	680,576	4,156	-0-	684,732
Services	265,941	987	-0-	266,928
Meters	97,021	802	-0-	97,823
Street lighting	340,849	14,257	-0-	355,106
	<u>3,704,396</u>	<u>23,274</u>	<u>-0-</u>	<u>3,727,670</u>
GENERAL				
Structures - garage	48,270	-0-	-0-	48,270
Office furniture and fixtures	95,468	-0-	-0-	95,468
Transportation equipment	230,167	45,290	35,467	239,990
Communication equipment	4,935	-0-	-0-	4,935
Miscellaneous equipment	114,355	-0-	-0-	114,355
	<u>493,195</u>	<u>45,290</u>	<u>35,467</u>	<u>503,018</u>
TELECOMMUNICATIONS				
Infrastructure	2,337,118	-0-	-0-	2,337,118
CONSTRUCTION				
Work in Process	-0-	-0-	-0-	-0-
Totals	<u>\$ 12,056,585</u>	<u>\$ 68,564</u>	<u>\$ 35,467</u>	<u>\$ 12,089,682</u>

See accompanying independent auditor's report.

Schedule 1
(Continued)

	Accumulated Depreciation			
	January 1, 2015	Additions	Deletions	Dec. 31, 2015
PRODUCTION				
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Structures and improvements	232,025	75,891	-0-	307,916
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	268,530	42,354	-0-	310,884
Accessory electric equipment	924,975	39,367	-0-	964,342
	<u>1,428,030</u>	<u>157,612</u>	<u>-0-</u>	<u>1,585,642</u>
TRANSMISSION				
Poles	3,776	438	-0-	4,214
DISTRIBUTION				
Poles and fixtures	2,495	148	-0-	2,643
Overhead conductors	4,500	207	-0-	4,707
Underground conductors	1,128,733	112,415	-0-	1,241,148
Line transformers	489,318	17,344	-0-	506,662
Services	228,713	3,401	-0-	232,114
Meters	32,238	4,598	-0-	36,836
Street lighting	296,222	10,159	-0-	306,381
	<u>2,182,219</u>	<u>148,272</u>	<u>-0-</u>	<u>2,330,491</u>
GENERAL				
Structures - garage	41,757	989	-0-	42,746
Office furniture and equipment	82,277	1,347	-0-	83,624
Transportation equipment	211,053	6,364	35,467	181,950
Communication equipment	4,707	50	-0-	4,757
Miscellaneous equipment	112,627	904	-0-	113,531
	<u>452,421</u>	<u>9,654</u>	<u>35,467</u>	<u>426,608</u>
TELECOMMUNICATIONS				
Infrastructure	<u>1,631,036</u>	<u>59,076</u>	<u>-0-</u>	<u>1,690,112</u>
Totals	<u>\$ 5,697,482</u>	<u>\$ 375,052</u>	<u>\$ 35,467</u>	<u>\$ 6,037,067</u>

See accompanying independent auditor's report.

Schedule 2

**Manning Municipal Light Plant
Investments and Interest Income
For the Year Ended December 31, 2015**

	<u>Investments</u>	<u>Interest</u>
Certificates of deposit, beginning of year	\$ 1,612,985	
Purchases and reinvested interest	1,111,821	
Redemptions	-0-	
Certificates of deposit, end of year	\$ <u>2,724,806</u>	\$ 9,820
Other interest income		
General checking account		936
Savings accounts		36
Cable Utility note		<u>3,454</u>
Total interest income		\$ <u>14,246</u>

See accompanying independent auditor's report.

Schedule 3

**Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
PRODUCTION			
Salaries	\$ 23,763	\$ 22,330	\$ 1,433
Purchased power	2,051,131	2,122,311	(71,180)
Fuel	5,660	19,844	(14,184)
Maintenance	1,156	-0-	1,156
Other expenses	2,225	5,025	(2,800)
Provision for depreciation	157,612	157,186	426
Generator maintenance	32,555	24,395	8,160
	<u>2,274,102</u>	<u>2,351,091</u>	<u>(76,989)</u>
DISTRIBUTION			
Salaries	77,542	78,929	(1,387)
Maintenance salaries for cable utility	4,107	20,641	(16,534)
Maintenance materials, labor, overhead	21,510	5,933	15,577
Street light maintenance	10,489	12,260	(1,771)
Truck expense	4,583	5,633	(1,050)
Provision for depreciation	148,712	147,079	1,633
	<u>266,943</u>	<u>270,475</u>	<u>(3,532)</u>
ACCOUNTING AND COLLECTION			
Office salaries	38,274	39,109	(835)
Meter reading salaries	3,900	4,696	(796)
Office supplies and billing expenses	1,706	2,339	(633)
Office maintenance	885	845	40
Building and shop maintenance	586	2,279	(1,693)
Postage	4,532	3,837	695
Rent	6,000	6,000	-0-
Telephone	4,181	5,011	(830)
Computer maintenance and software	6,220	5,438	782
Rate study	1,050	3,553	(2,503)
	<u>67,334</u>	<u>73,107</u>	<u>(5,773)</u>

See accompanying independent auditor's report.

Schedule 3
(Continued)

Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
ADMINISTRATION AND GENERAL			
Salaries	\$ 65,416	\$ 69,016	\$ (3,600)
Employee insurance	50,494	54,628	(4,134)
Property and liability insurance	44,752	40,390	4,362
Audit and accounting services	7,863	7,580	283
Legal and professional services	1,956	1,606	350
Seminars and meetings	1,410	2,589	(1,179)
Dues	12,267	9,493	2,774
Uniforms	499	541	(42)
Trustee fees	2,995	2,995	-0-
Safety program	466	1,279	(813)
Energy efficiency program	1,702	1,786	(84)
Legal notices and advertising	1,458	1,333	125
Miscellaneous	1,069	3,299	(2,230)
Bad debts	-0-	-0-	-0-
Provision for depreciation	9,653	7,696	1,957
	<u>202,000</u>	<u>204,231</u>	<u>(2,231)</u>
 Total Operating Expenses	 \$ <u>2,810,379</u>	 \$ <u>2,898,904</u>	 \$ <u>(88,525)</u>

See accompanying independent auditor's report.

Schedule 4

**Manning Municipal Light Plant
Comparative Statistical Data
(Unaudited)**

	<u>2015</u>	<u>As of December 31,</u> <u>2014</u>	<u>2013</u>	<u>2012</u>
SOURCES OF KILOWATT HOURS				
KWRS purchased	38,129,584	37,470,360	37,195,324	37,458,676
KWHRs generated	<u>56,100</u>	<u>122,290</u>	<u>271,665</u>	<u>153,985</u>
Totals	38,185,684	37,592,650	37,466,989	37,612,661
ANALYSIS OF KILOWATT HOURS				
Residential	7,227,762	7,623,758	7,788,808	7,595,133
Small commercial	1,845,445	2,024,270	1,948,637	1,857,495
Industrial	7,699,457	7,420,784	6,066,443	6,164,871
Large commercial	19,872,000	18,990,600	19,963,800	20,368,594
Street lights	<u>324,371</u>	<u>331,796</u>	<u>270,986</u>	<u>328,821</u>
Subtotals	36,969,035	36,391,208	36,038,674	36,314,914
KWHRs not sold				
Street lights	-0-	-0-	-0-	-0-
Utility plant and office	321,006	386,863	372,735	284,072
Generated	-0-	-0-	-0-	153,985
Line loss	<u>895,643</u>	<u>814,579</u>	<u>1,055,580</u>	<u>859,690</u>
Subtotals not sold	1,216,649	1,201,442	1,428,315	1,297,747
Totals	<u>38,185,684</u>	<u>37,592,650</u>	<u>37,466,989</u>	<u>37,612,661</u>
LINE LOSS PERCENTAGE	2.35%	2.17%	2.81%	2.29%
NUMBER OF CUSTOMERS				
Residential	690	693	689	687
Small commercial	131	128	126	123
Industrial	1	1	1	1
Large commercial	26	27	30	30
Street lights	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>849</u>	<u>850</u>	<u>847</u>	<u>842</u>

The comparative statistical data is the presentation of management. No audit procedures have been applied.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Prepared in Accordance with
*Government Auditing Standards***

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

April 14, 2016

Lonnie G. Muxfeldt
Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com
firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Prepared in Accordance with
Government Auditing Standards

To the Board of Trustees of the
Manning Municipal Light Plant

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Manning Municipal Light Plant, a component unit of the City of Manning, Iowa as of and for the year ended December 31, 2015, and have issued my report thereon dated April 14, 2016. My report expressed an unmodified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Manning Municipal Light Plant's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manning Municipal Light Plant's internal control. Accordingly, I do not express an opinion on the effectiveness of Manning Municipal Light Plant's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

April 14, 2016
Manning Municipal Light Plant
Report on Internal Control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Manning Municipal Light Plant's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompany Schedule of Findings as items I-B-15 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Municipal Light Plant's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Light Plant's operations for the year ended December 31, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Municipal Light Plant's Responses to Findings

Manning Municipal Light Plant's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Utility's responses, I did not audit the Light Plant's responses and, accordingly, I express no opinion on them.

April 14, 2016
Manning Municipal Light Plant
Report on Internal Control

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Light Plant's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Light Plant's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Manning Municipal Light Plant during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Murphy & Associates, CPA, P.C.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2015**

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that a segregation of duties is difficult with a limited number of office employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will try to use the staff in the most efficient way to achieve maximum internal control possible with the staff available.

Conclusion - Response acknowledged. The Utility should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-15 Financial Reporting - During the audit, I identified the purchase of the service truck posted to an expense account instead of a capital asset account. Adjustments were subsequently made by the Utility to properly report this amount in the Utility's financial statements.

Recommendation - In the absence of guidance within the organization on how to book an unusual transaction, the auditor should be contacted for guidance. This procedure will ensure correct postings and avoidance of significant misstatements in the financial statements.

Response - We will consult with our auditors in the future when we are unclear about unusual transactions.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2015**

Part II: Other Findings Related to Statutory Reporting

- II-A-15 Certified Budget - Total disbursements during the year ended December 31, 2015 did not exceed amounts budgeted in the business type activities function
- II-B-15 Questionable Disbursements - I noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-15 Travel Expense - No disbursements of the Utility's money for travel expenses of spouses of Utility's officials or employees were noted.
- II-D-15 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jerry Rasmussen, Trustee, Rasmussen Lumber, owner	Parts, supplies, tools	\$ 352
Lynn Stein, Trustee, Napa, part owner	Parts, supplies, tools	\$ 691

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Utility's Trustees do not appear to represent conflicts of interest since total transactions were less than \$2,500 per individual during the year.

- II-E-15 Bond Coverage - surety bond coverage of Utility officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.
- II-G-15 Board Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- II-H-15 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.

NEWS RELEASE

MANNING MUNICIPAL LIGHT PLANT

Manning, Iowa 51455

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the Manning Municipal Light Plant of Manning, Iowa.

Muxfeldt Associates, CPA, P.C, reported that the Utility Board's revenues totaled \$3,138,324 for the year ended December 31, 2015, a 2.3 percent decrease from 2014. The revenues included \$2,913,514 in electricity sales, \$51,283 in rental income, \$113,488 in dividend income, \$14,246 in interest income and \$45,793 in other revenues.

Expenses for the year totaled \$3,098,404, a 2.8 percent decrease from 2014. The expenses included \$2,274,102 for production, \$266,943 for distribution, \$67,334 for accounting and collection, \$202,000 for administrative and general expenses, \$135,268 for interest expense, \$89,788 for payment in lieu of taxes and community projects and \$62,969 for other expenses.

A copy of the audit report is available for review in the office of Manning Municipal Light Plant, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

